

ABSTRACT

In this study, the factors that influence Manufacturing Industry Output are viewed from the external side, namely from the macroeconomic side which includes monetary targets in the form of Inflation, Interest Rates, Exchange Rates, and Foreign Direct Investment. This study aims to look at the relationship between Inflation, Interest Rates, Exchange Rates, and Foreign Direct Investment on Manufacturing Industry Output in Indonesia in the period 1991 – 2021.

This study uses secondary data in the form of time series data. The analysis in this study uses the Ordinary Least Squares (OLS model) method.

The results show that there is a positive and significant effect of Exchange Rate on Manufacturing Industry Output, implying that if there is a change in the Exchange Rate, it will attract the Output of the Manufacturing Industry. The relationship between the Exchange Rate and the Output of Manufacturing Industry is supported by significant investment by foreign countries as more products are purchased, demand for the product increases, firms are forced to increase their production. Meanwhile, this study did not find any significance between the Inflation and Interest rate on Manufacturing Industry Output. Even though previous studies proved that Inflation does affect the factors of production and the Interest is a consideration for an investor to decide whether it's worthwhile to invest in foreign country.

Keywords: Inflation, Interest Rate, Exchange Rate, Foreign Direct Investment, Manufacturing Industry, Ordinary Least Square